



Auditors' Report	55
Consolidated Balance Sheet	56
Consolidated Income Statement	57
Consolidated Cash Flow Statement	58
Balance Sheet	60
Income Statement	61
Notes to Financial Statements	62

>> AUDITORS' REPORT

Z.T.H.Z (BJ) Audit [2004] No.060

Industrial and Commercial Bank of China ("ICBC"):

We have audited the accompanying Consolidated Balance Sheet of the Group as of December 31, 2003, the Consolidated Income Statement and the Consolidated Cash Flow Statement of the Group for the year then ended, the Balance Sheet of the Bank as of December 31, 2003 and the Income Statement of the Bank for the year then ended. ICBC is responsible for preparing the financial statements and we are responsible for expressing our audit opinion on these financial statements based on our audit in accordance with the scope set out on the engagement letter.

We planned and performed our audit in accordance with the Independent Auditing Standards for Chinese Certified Public Accountants to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a sample basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting policies adopted and significant accounting estimates made by the Bank's management in the preparation of the financial statements, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above have been prepared in accordance with the requirements of the "Accounting Standards for Business Enterprises" and the relevant regulations issued by the Ministry of Finance and the People's Bank of China (see footnote 3 (1)), and present fairly, in all material respects, the financial position of ICBC as of December 31, 2003, and the results of its operations and its cash flows for the year then ended.

Beijing Zhong Tian Hua Zheng CPA Co., Ltd.



PRC CPA:



PRC CPA:



April 15, 2004

» CONSOLIDATED BALANCE SHEET

Unit: RMB million

ITEM	NOTES	December 31,2003	December 31,2002
Assets			
Cash		29,585	28,105
Due from the central bank		427,811	411,563
Due from banks	6(1)	19,115	17,846
Placements with banks	6(2)	63,882	98,355
Loans	6(3)	3,392,937	3,002,283
Less: Provision for credit losses	6(4)	20,987	13,528
Receivables	6(5)	45,252	74,817
Investments	6(6)	1,172,761	988,391
Less: Specific provision for losses on disposal of non-performing assets	6(7)	17,991	10,850
Fixed assets at carrying value	6(8)	71,150	70,631
Construction in progress		8,789	10,103
Other assets	6(9)	86,816	99,057
Total Assets		5,279,120	4,776,773
Liabilities			
Customer deposits	6(10)	4,606,202	4,100,517
Due to banks	6(11)	233,559	232,597
Borrowings from banks	6(12)	23,563	38,496
Other borrowings	6(13)	38,399	21,646
Outward remittances		46,968	46,463
Payables	6(14)	74,900	89,630
Other liabilities		82,576	65,418
Total Liabilities		5,106,167	4,594,767
Minority Interest		2,452	3,798
Owner's Equity			
Paid-in capital	6(15)	160,666	160,730
Capital reserve		1,405	1,282
Surplus reserve		14,773	14,768
Retained Earnings	6(15)	-6,343	1,428
Total Owner's Equity		170,501	178,208
Liabilities and Owner's Equity		5,279,120	4,776,773

Notes to financial statements form an integral part of the financial statements.

Legal Representative:
Mr. Jiang Jianqing

Executive Vice President
in Charge of Accounting:
Mr. Zhang Furong

General Manager
in Charge of Accounting:
Ms. Xu Yan

» CONSOLIDATED INCOME STATEMENT

Unit:RMB million

ITEM	NOTES	2003	2002
Int come	6(17)	162,839	154,875
Less: interest expense	6(17)	64,297	70,113
Net interest income	6(17)	98,542	84,762
Add: other operating income	6(18)	8,971	6,749
Total operating income		107,513	91,511
Less: total operating expenses		84,517	73,747
operating expenses	6(19)	50,214	47,943
provision for credit losses		34,303	25,804
Less: business tax and surcharges	6(20)	7,266	8,024
Add: non-operating income		2,525	1,843
Less: non-operating expenses	6(21)	15,597	4,681
Total profit		2,658	6,902
Less: income tax		0	153
minority interest		185	222
Net profit		2,473	6,527

Notes to financial statements form an integral part of the financial statements.

Legal Representative:
Mr. Jiang Jianqing

Executive Vice President
in Charge of Accounting:
Mr. Zhang Furong

General Manager
in Charge of Accounting:
Ms. Xu Yan

》》 CONSOLIDATED CASH FLOW STATEMENT

Unit:RMB million

ITEM	2003	2002
1. Cash flows from operating activities:		
Interest received from loans	137,081	123,587
Net change in current account with financial institutions	6,459	3,663
Other operating income	8,515	5,891
Net change in short-term deposits	328,038	633,755
Net change in cash accounts with other financial institutions	20,502	-
Net change in amounts due from the central bank	16,083	-
Net change in medium to long-term deposits	180,231	-
Cash received from other operating activities	-	40,936
Sub-total cash inflows	696,909	807,832
Interest paid on deposits	57,769	61,887
Cash paid for other operating activities	19,341	21,909
Cash paid for staff cost	21,844	18,278
Drawdown of short-term loans, net of recoveries	108,871	87,369
Drawdown of medium to long-term loans, net of recoveries	281,782	226,038
Net change in medium to long-term deposits	-	137,050
Net change in cash account with other financial institutions	-	7,534
Net change in amounts due from the central bank	-	10,119
Tax paid	8,146	8,318
Cash paid for other operating activities	956	9,546
Sub-total cash outflows	498,709	588,048
Net cash flow from operating activities	198,200	219,784

ITEM	2003	2002
2. Cash flows from investing and financing activities		
Cash received from bond investments interest income	17,689	24,210
Cash received from dividends or profit appropriations	417	881
Sub-total cash inflows	18,106	25,091
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	4,427	7,226
Cash paid for equity investments	1,891	12,541
Net addition of long-term bond investments	100,564	52,147
Cash paid for repayment of debts	376	1,639
Sub-total cash outflows	107,258	73,553
Net cash flows from investing and financing activities	-89,152	-48,462
3. Net cash flow from contingent items	-13,072	-2,981
4. Net increase in cash and cash equivalents	95,976	168,341
Add: opening balance of cash and cash equivalents	849,226	680,885
5. Closing balance of cash and cash equivalents	945,202	849,226
Including: cash on hand and cash at banks	29,585	28,105
reserve deposited in central bank	427,811	411,563
due from banks	13,488	17,639
short-term bond investments	474,318	391,919

Legal Representative:
Mr. Jiang Jianqing

Executive Vice President
in Charge of Accounting:
Mr. Zhang Furong

General Manager
in Charge of Accounting:
Ms. Xu Yan

>> BALANCE SHEET

Unit:RMB million

ITEM	December 31,2003	December 31,2002
Assets		
Cash	29,540	28,055
Due from central bank	427,811	411,470
Due from banks	18,850	16,645
Placements with banks	75,930	99,532
Loans	3,346,923	2,957,837
Less: provision for credit losses	20,255	12,698
Receivables	44,049	74,062
Investments	1,169,948	992,890
Less: Specific provision for losses on disposal of non-performing assets	17,991	10,850
Fixed assets at carrying value	70,469	69,508
Construction in progress	8,789	10,103
Other assets	85,900	97,682
Total Assets	5,239,963	4,734,236
Liabilities		
Customer deposits	4,568,164	4,056,898
Due to banks	232,203	242,434
Borrowings from banks	31,819	29,950
Other borrowings	38,399	21,646
Outward remittances	46,968	46,463
Payables	73,148	88,357
Other liabilities	79,123	70,633
Total Liabilities	5,069,824	4,556,381
Owner's equity		
Paid-in capital	160,666	160,730
Capital reserve	1,405	1,282
Surplus reserve	14,773	14,768
Retained earnings	-6,705	1,075
Total Owner's Equity	170,139	177,855
Total Liabilities and Owner's Equity	5,239,963	4,734,236

Legal Representative:
Mr. Jiang Jianqing

President in Charge of
Financial Accounting:
Mr. Jiang Jianqing

General Manager in Charge of
Financial Accounting:
Ms. Xu Chufeng

» INCOME STATEMENT

Unit:RMB million

ITEM	2003	2002
Interest income	161,452	153,778
Less: interest expenses	63,845	69,547
Net interest income	97,607	84,231
Add: other operating income	8,400	5,562
Total operating income	106,007	89,793
Less: total operating expenses	83,628	72,819
operating expenses	49,532	47,229
provision for credit losses	34,096	25,590
Less: business tax and surcharges	7,266	8,005
Add: non-operating income	2,488	1,840
Less: non-operating expenses	15,491	4,592
Total Profit	2,110	6,217
Less: income tax	0	43
Net profit	2,110	6,174

Legal Representative:
Mr. Jiang Jianqing

President in Charge of
Financial Accounting:
Mr. Jiang Jianqing

General Manager in Charge of
Financial Accounting:
Ms. Xu Chufeng

»» NOTES TO FINANCIAL STATEMENTS

1. Introduction of ICBC

ICBC is a wholly state-owned commercial bank founded on January 1, 1984, and authorized by the State Council and PBoC. The registered address is No.55 Fuxingmennei Dajie, Xicheng District, Beijing. The official legal representative is the President, Mr. Jiang Jianqing.

As of December 31, 2003, ICBC had established thirty tier-one provincial branches in provinces (including Autonomous Regions and Municipalities) throughout China, five branches directly under the Head Office, eight overseas branches, three subsidiary banks, and two holding institutions.

The business scope includes RMB deposits, loans and consumer credit, residential savings, various settlement services, issuing and the related agency services in issuing securities, various agency services entrusted by other banks, foreign exchange savings, foreign exchange loans, foreign exchange remittances, trade and non-trade settlement, exchange of foreign currencies and notes, foreign exchange guarantees and related services, overseas foreign exchange borrowings, foreign currency bills discounting, issuing and agency services relating to foreign currency securities, agency services relating to spot or forward foreign exchange trading, credit evaluation and consulting services, buyer's credit, on-lending from international financial institutions and foreign governments, and other businesses authorized by the CBRC in accordance with relevant laws and regulations.

2. Important Notice

The president (legal representative) of ICBC and the senior management ensure that all of the contents of the report are free from any false records, misstatements or primary omissions. They are responsible, and take the related responsibilities, for the authenticity, accuracy and completeness of the contents.

3. The Basis of Preparation of The Financial Statements

(1) Adoption of accounting standards and regulations

ICBC adopts the “General Financial Principles for Enterprises”, “Accounting Standards for Enterprises”, “Financial System for Financial and Insurance Institutions”, and “Accounting System for Financial Institutions” issued by the MoF. In addition, ICBC also adopts relevant regulations such as “Provisional Methods on Consolidated Financial Statements for State-Owned Commercial Banks”, “Provisional Methods on Information Disclosure for Commercial Banks”, and other related regulations issued by the PBoC.

(2) The scope of consolidation

The scope of consolidation includes subsidiaries where more than 50% of the equity capital or voting rights are held by ICBC, or investments made in institutions for long-term purposes where ICBC holds less than 50% of the equity capital but has actual control. Investments that are not intended to be

held for the long-term or are planned for disposal, and equity converted from debt as approved by regulators are excluded from the scope of consolidation. Institutions consolidated into the financial statements of ICBC Group include: the domestic and overseas branches, ICBC (London) Ltd., ICBC Almaty, Industrial and Commercial International Capital Ltd., ICBC (Asia) Ltd., and Industrial and Commercial East Asia Finance Holdings Ltd.

(3) The method of consolidation

The consolidation is performed based on the financial statements of the banks and institutions included in the scope of consolidation, with significant transactions within the Group eliminated. The financial statements of overseas institutions were compiled according to the accounting policies set by the Head Office and by the relevant local authorities. Those financial statements remain unadjusted.

The overseas institutions refer to those institutions registered outside of the PRC and those branches or subsidiaries registered in Hong Kong and Macau.

4. Important Accounting Policies and Accounting Estimates

(1) Accounting year

The accounting year runs from January 1 to December 31 of each calendar year.

(2) Reporting currency

The reporting currency of the Bank is the Renminbi (“RMB”).

(3) Principles for book keeping and valuation

Unless stated otherwise, the financial statements have been prepared on an accrual basis and under the historical cost convention.

(4) Foreign currency accounting and foreign currency financial statements translation

The Bank maintains a multi-currency ledger for assets and liabilities and transactions denominated in foreign currencies. All transactions are recorded on vouchers and ledgers and compiled in financial statements in their original currencies. The financial statements denominated in foreign currency are translated into RMB at the exchange rates in effect at the balance sheet date.

The exchange rate in effect as at the end of the years are:

December 31, 2003	8.2769 RMB to 1 US Dollar
December 31, 2002	8.2780 RMB to 1 US Dollar

(5) The types and valuation methods of derivative instruments

The derivative instruments entered into by ICBC include forwards, options, swaps and combinations of these in currency, interest rate or other markets. Forward transactions within the domestic operations are carried at market value prior to their maturity dates, with any changes reflected in earnings in the respective accounting period. Options and swaps will be evaluated against daily market values prior to maturity and recorded as off-balance sheet items. Upon actual payment, they will be reflected in the balance sheet.

The derivative financial instruments of the overseas operations are accounted for in accordance with the relevant local accounting regulations.

(6) Cash and cash equivalents

Cash includes cash on hand and highly liquid deposits at banks. Cash equivalents represent highly liquid investments maturing within 90 days, which are readily convertible into known amounts of cash, subject to an insignificant risk of change in value, including deposits and reserves held with the central bank, short-term amounts due from other banks, fixed deposit with terms under 90 days, and marketable short-term bond investments maturing within 90 days.

(7) Loan classification

Loans are classified as short-term loans and medium to long-term loans in accordance with their maturity date. Loans maturing within one year (including one year) are classified as short-term loans; loans maturing over one year are classified as medium to long-term loans.

According to the nature of the security method, loans are classified as credit, guaranteed, secured, and pledged loans.

According to the “Guiding Principles on Loan Risk Classification” issued by PBoC, and based on the level of risk, loans are classified into normal, special mention, sub-standard, doubtful, or loss loans.

Normal: The borrower performs according to the terms of the contract; there is no reason to doubt the full recoverability of principal and interest within the time defined by the contract.

Special mention: Although the borrower is able to repay the principal and interest at present, factors exist that may affect the borrower’s ability to repay the loan.

Sub-standard: The borrower has obvious problems in its ability to repay the loan and is unable to repay the principal and interest in full amount with its normal operating income. Even if resorting to guarantees or collaterals, there may still be losses incurred.

Doubtful: The borrower is unable to repay the principal and interest in full amount. Even if resorting to guarantees or collaterals, there would still be significant losses in the loan.

Loss: After all conceivable measures or necessary legal processes, the principal and interest remain outstanding or only an insignificant portion of the loan can be recovered.

(8) Policy of provision for credit losses

Domestic: In accordance with the MoF’s policy on credit loss provisioning and use of provisions of state-owned commercial banks, the credit loss provisioning is classified as general provisioning or specific provisioning.

Assets requiring general provisioning include: all loans, discounted bills, advances, import and export advances, bank card overdrafts, equity and bond investments (excluding government bond investments, China Huarong Asset Management Corporation bond investment (*Note)), placements with banks, interest receivable (excluding interest receivable from loans, government bonds and placements

with banks), etc. In addition to general provisioning, the Bank provides specific provisioning for housing mortgage loans, consumer loans, bank card overdraft, and corporate loans granted after year 2001 (including 2001) using the specific rates as follows:

Special mention	2 %	Sub-standard	20 %
Doubtful	50%	Loss	100%

Provision for credit losses is recorded in the current period's earnings, and the provision will be reversed when the loss is written off. Any recovery of losses written-off will be recorded in the earnings of the period in which the recovery occur.

Overseas Institution: Provisioning is made in accordance with the relevant local policies.

Note:For China Huarong Asset Management Corporation bond investments, please refer to 6 (7) of " Notes to the Significant Items of the Consolidated Financial Statements".

(9) Accounting for investments

Investments are recorded at cost of initial acquisition. For domestic and overseas equity investments, cost or equity method will be selected based on their specific circumstances.

(10) Fixed assets and depreciation

Fixed assets refer to properties and buildings, office equipment, motor vehicles and other equipment related to operations with useful lives of greater than one year; as well as other items that are not considered key to the operations but with unit value higher than RMB 2,000 and useful economic lives longer than two years.

The fixed assets are recorded at original cost when first obtained.

Depreciation is calculated using the straight-line basis to write off the costs after deduction of the residual values (3% of cost for all assets) over their estimated useful lives. Annual depreciation rates are as follows:

Type	Estimated useful life	Depreciation rate
Properties and buildings	30 years	3.23%
Motor vehicles	4-6 years	24.25%-16.17%
Electronic equipment	3-5 years	32.33%-19.40%
Other equipment	5 years	19.40%

(11) Other assets and amortization

Other assets include deferred assets, intangible assets, settled assets, and so on.

Deferred assets include pre-operating expenses, leasehold fixed asset improvements, etc. Pre-operating expenses will be amortized evenly over 5 years, starting from the first month of operations; leasehold fixed asset improvements will be amortized evenly throughout the lease period. Other deferred assets will be amortized evenly during the period in which benefits are generated by these assets.

Intangible assets include land use rights, software, etc. Intangible assets are valued at actual cost at acquisition, and are amortized over the shorter of the period for which benefits arise or the legally effective period.

Settled assets are recorded at values determined by the judgment of a court or arbitration authority, determined by appraisers, or agreed upon based on negotiations between the lender and the borrower.

(12) Accounting for interest payable

Interest payable is accounted for on an accrual basis.

(13) Principles of revenue recognition

Revenue is recognized, when it is probable that the economic benefits will flow to ICBC and when the revenue can be measured reliably, on an accrual basis.

When loan interest is overdue for more than 90 days, whether the principal is overdue or not, the accrued interest income of the loan shall cease to be recognized as interest income for the year, and shall be recorded off-balance sheet. In the case where the principal or interest of any such loans is already overdue for more than 90 days, the interest previously accrued should be written off against the interest income already recorded in the income statement and such interest income is thereafter only recognized upon receipt.

(14) Accounting for income tax

Corporate income tax is accounted for using the tax payable method.

(15) Taxes

Type of taxes	Base for taxation	Tax rate
Business tax	Financial business income	5% (Note 1)
Corporate income tax	Taxable income	33% (Note 2)
Other taxes	Paid according to actual situation	-

Note:1. According to the (2001) No. 21 document issued by the MoF and the State Administration of Taxation of China, starting from 2001, the business tax rate of financial and insurance companies would be reduced by 1% every year until it reached 5%. Therefore the current year business tax rate is 5%. 2. Interest income on government bonds and bonds of financial asset management companies is exempt from corporate income tax.

Types of taxes, the basis for taxation and tax rates for overseas institutions are accounted for in accordance with the relevant local tax laws and policies.

5. Related Party Transactions

In 2003, the Group had an 18.75% equity interest in Xiamen International Bank. No significant related transaction occurred between the two parties during the year.

6. Notes to the Significant Items of the Consolidated Financial Statements (Unit: RMB million)

(1) Due from Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	8,388	8,609
Domestic Banks	10,727	9,237
TOTAL	19,115	17,846

(2) Placements with Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	46,604	79,008
Domestic Banks	17,278	19,347
TOTAL	63,882	98,355

(3) Loans

a. Loans classified by types of security

ITEM	December 31, 2003	Percentage(%)
Credit Loans	994,158	29.30
Guaranteed Loans	1,066,995	31.45
Secured and Pledged Loans	1,331,784	39.25
TOTAL	3,392,937	100.00

b. Loans classified by maturity date

ITEM	December 31, 2003	December 31, 2002
Short-term Loans	1,812,307	1,703,435
Medium to Long-term Loans	1,580,630	1,298,848
TOTAL	3,392,937	3,002,283

c. Loans classified by risk classification

(Please refer to “Distribution of Loan Balances According to Risk Classification” on page 36).

d. Loans classified by industry

ITEM	December 31, 2003	Percentage(%)
Manufacturing	1,211,012	35.69
Wholesale and Retail	375,831	11.08
Consumer	416,011	12.26
Transportation and Logistics	302,233	8.91
Real Estate	234,451	6.91

d. Loans classified by industry (continued)

Energy	203,418	6.00
Service	162,897	4.80
Information Technology	109,558	3.23
Mining	78,436	2.31
Construction	75,744	2.23
Others	217,544	6.41
Overseas Lending	5,802	0.17
TOTAL	3,392,937	100.00

(4) Provisions for Credit Loss

ITEM	General provision	Specific provision	Special provision	TOTAL
December 31, 2002	11,135	2,393	-	13,528
Provision for the year	32,787	1,516	-	34,303
Charge-off during the year	-26,577	-109	-	-26,686
Reverse during the year	-	1	-	1
Others	-161	2	-	-159
December 31, 2003	17,184	3,803	-	20,987

(5) Receivables

ITEM	December 31, 2003	December 31, 2002
Interest Receivable	31,537	43,642
Other Receivables	13,715	31,175
TOTAL	45,252	74,817

(6) Investments

ITEM	December 31, 2003	December 31, 2002
Bonds	1,091,781	933,768
Including: Government Bonds	316,425	297,908
Financial Institution Bonds	612,086	484,646
Other Bonds	163,270	151,214
Others	80,980	54,623
TOTAL	1,172,761	988,391

(7) Specific Provision for Losses on Disposal of Non-performing Assets

In accordance with MoF requirements, specific provision for losses on disposal of non-performing assets is appropriated from after-tax profit. It is a specific provision that corresponds to the investment losses incurred in the China Huarong Asset Management Corporation bond.

(8) Fixed Assets at Carrying Value

ITEM	December 31, 2003	December 31, 2002
Original value	102,314	96,529
Including: Properties and Buildings	69,821	67,121
Motor Vehicles	5,762	5,972
Electronic Equipment	15,942	14,417
Other Equipment	10,789	9,019
Less: Accumulated Depreciation	31,164	25,898
NET BOOK VALUE	71,150	70,631

(9) Other Assets

ITEM	December 31, 2003	December 31, 2002
Deferred Assets	4,368	4,768
Intangible Assets	3,216	3,260
Settled Assets	36,996	41,482
Other	42,236	49,547
TOTAL	86,816	99,057

(10) Customer Deposits

a . Classified by the nature of the depositors

ITEM	December 31, 2003	December 31, 2002
Corporate Deposits	1,986,949	1,774,112
Savings Deposits	2,619,253	2,326,405
TOTAL	4,606,202	4,100,517

b . Classified by types of deposits

ITEM	December 31, 2003	December 31, 2002
Short-term Deposits	2,745,163	2,419,710
Long-term Deposits	1,861,039	1,680,807
TOTAL	4,606,202	4,100,517

(11) Due to Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	1,664	346
Domestic Banks	231,895	232,251
TOTAL	233,559	232,597

(12) Borrowings from Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	17,619	24,293
Domestic Banks	5,944	14,203
TOTAL	23,563	38,496

(13) Other Borrowings

ITEM	December 31, 2003	December 31, 2002
Due to the Central Bank	33,638	17,556
Long-term Loans	4,761	4,090
TOTAL	38,399	21,646

(14) Payables

ITEM	December 31, 2003	December 31, 2002
Interest Payable	22,784	22,569
Other Payables	52,116	67,061
TOTAL	74,900	89,630

(15) Owner's Equity

The balance of paid-in capital decreased by RMB 64 million during 2003. The main reason is that part of the paid-in capital was transferred to China Huarong Asset Management Corporation.

Retained earnings decreased by RMB 7,771 million over prior year, mainly because with a net profit of RMB 2,473 million in 2003, following the relevant rules of the MoF, the Bank set aside RMB 7,141 million as a specific provision for losses on disposal of non-performing assets and reversed the prior year's accrued interest receivable relating to the special government bonds at the amount of RMB 2,509 million.

(16) Capital Adequacy Ratio

ITEM	December 31, 2003
Core Capital	172,953
Supplementary Capital	43,433
Deductible Items	38,603
Adjusted Capital	177,783
Total Risk Weighted Assets	3,221,608
Capital Adequacy Ratio-Core Capital (%)	4.77
Capital Adequacy Ratio (%)	5.52

Note: The 2003 year end Capital Adequacy Ratio was calculated in accordance with the method set out on (1997) No. 549 document issued by PBoC. The (2004) No. 2 document issued by CBRC – “Administrative Regulations on Capital Adequacy Ratio for Commercial Banks” became effective on March 1, 2004. ICBC will follow this new and more prudent requirement in 2004.

(17) Interest Income, Interest Expense and Net Interest Income

ITEM	2003	2002
Interest Income	162,839	154,875
Interest Income from Loans	124,976	119,272
Interest Income from Inter-bank Activities	13,235	11,396
Interest Income from Bonds	24,628	24,207
Interest Expense	64,297	70,113
Interest Expense on Customer Deposits	57,983	62,380
Interest Expense on Inter-bank Activities	6,314	7,733
Net Interest Income	98,542	84,762

(18) Other Operating Income

ITEM	2003	2002
Income from Intermediary Business	8,496	5,866
Other Income	475	883
TOTAL	8,971	6,749

(19) Operating Expense

ITEM	2003	2002
Personnel Expense	19,562	18,437
Business Expense	23,085	22,889
Depreciation Expense	7,567	6,617
TOTAL	50,214	47,943

(20) Business Tax and Surcharges

ITEM	2003	2002
Local Business Tax	6,402	5,940
Central Business Tax	197	1,444
Miscellaneous Surcharges	667	640
TOTAL	7,266	8,024

(21) Non-operating Expenses

ITEM	2003	2002
General Losses on Asset valuation	14,478	3,903
Others	1,119	778
TOTAL	15,597	4,681

(22) Important Off-Balance Sheet Items

ITEM	December 31, 2003	December 31, 2002
Banker's Bills of Acceptance	83,611	75,260
Issued Letters of Guarantee	83,785	73,356
Issued Letters of Credit	56,569	47,956
Confirming Letters of Credit	14	197
Confirming Letters of Guarantee	30	7,369
Shipping Guarantee	1,466	528
Full Export Factoring	73	-
Call Options	2,864	7,994
Put Options	3,924	8,998
Swaps	69,022	61,811

7. Significant Litigation and Arbitration Cases

In year 2003, there were fourteen significant litigation and arbitration cases in total with individual subject value greater than RMB 100 million. Among the fourteen cases, ICBC was plaintiff in twelve cases with total subject value of RMB 2,268 million. There were two cases where ICBC was the defendant with a subject value of RMB 214 million. As of the end of 2003, eight of the twelve cases where ICBC was the plaintiff had been ruled by the court or the arbitration authority, the remaining cases were still in their first trial.

8. Post Balance Sheet Date Event

From the balance sheet date to the date of this report, the Bank has won two cases where ICBC was the plaintiff with total subject value of RMB 443 million and one case where ICBC was the defendant with subject value of RMB 100 million, all of which were referred to in note 7 above.

9. Other Significant Matters

On December 31, 2003, ICBC (Asia) has signed acquisition agreements with Generale Belgian Holding B.V. ("GBH") and Fortis Group, to purchase from GBH all shares issued on Fortis Bank Asia HK ("FBAHK"). After approval from Hong Kong Monetary Authority and other regulatory agencies, the transaction will be completed on April 30th, 2004.